Startup India Tax breaks, incubation, mentorship & ease-of-doing-business support

Launched on January 16, 2016, by the Government of India, Startup India is a flagship initiative designed to build a strong ecosystem for nurturing innovation and entrepreneurship. Spearheaded by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, the scheme aims to drive sustainable economic growth and generate large-scale employment opportunities.

Core Objectives

The primary objectives of the Startup India scheme are to:

- Foster a culture of entrepreneurship and innovation across the nation.
- Simplify the regulatory and compliance burden for new ventures.
- Provide financial support, tax benefits, and other incentives.
- Promote the development and adoption of cutting-edge technology.
- Create new job opportunities and expand a robust startup ecosystem.

Key Components of the Scheme

- **DPIIT Recognition:** Official government recognition as a startup, unlocking access to all scheme benefits.
- **Tax Exemptions:** Income tax exemption for 3 consecutive years (Section 80-IAC) and exemption from Angel Tax (Section 56).
- **Patent & IPR Support:** Fast-tracked patent applications and rebates on filing fees.
- **Startup India Seed Fund Scheme (SISFS):** Financial assistance of up to ₹50 lakh for early-stage startups.
- **Compliance Support:** Self-certification for 6 labour laws and 3 environmental laws.
- **Public Procurement Benefits:** Exemption from turnover and prior experience criteria for government tenders.
- **Incubation & Mentorship:** Access to a network of incubators and guidance from industry

experts.

Benefits and Incentives for Recognized Startups

A. Tax Benefits

- **Income Tax Exemption:** Recognized startups are eligible for a 100% income tax exemption for 3 consecutive financial years out of their first 10 years of incorporation.
- **Angel Tax Exemption:** Exemption from tax on investments received above fair market value (under Section 56(2)(viib)) for an aggregate investment of up to ₹25 crore.
- **Capital Gains Tax Exemption:** Exemption on capital gains tax for individual investors who reinvest their capital gains in designated startup funds.

B. Ease of Compliance and Fast Exit

- **Self-Certification:** Startups can self-certify their compliance with 6 labour laws and 3 environmental laws, reducing the regulatory burden.
- **Reduced Inspections:** No labour law inspections are conducted for the first 5 years of incorporation, unless there is a credible complaint.
- **Fast-Tracked Exit:** A streamlined process allows startups to wind up their business within 90 days under the Insolvency and Bankruptcy Code, 2016.

C. Intellectual Property Rights (IPR) Incentives

- **80% Rebate on Fees:** Startups receive an 80% rebate on patent filing fees compared to other entities.
- **Fast-Tracked Processing:** Patent applications filed by startups are fast-tracked for examination.
- **Fee Reimbursement for Facilitators:** The government bears the cost of facilitators who assist in filing patents, trademarks, and designs.

D. Funding and Financial Assistance

- **Startup India Seed Fund Scheme (SISFS):** Provides financial aid of up to ₹50 lakh for proof of concept, prototype development, product trials, and commercialization.
- **Access to Government Funds:** Streamlined access to various government-backed funding schemes and venture capital funds.

E. Market Access and Public Procurement

- **Government e-Marketplace (GeM):** Startups can register and sell their products and services directly to government entities.
- **Tender Exemption:** Exemption from submitting Earnest Money Deposit (EMD) and from meeting minimum turnover or prior experience criteria in many government tenders.

F. Incubation, Mentorship, and Networking

- **Access to Incubators:** Connect with over 300 government-supported incubators across India.
- **Mentorship Programs:** Receive guidance from a network of industry leaders, seasoned entrepreneurs, and experts.
- **Networking Opportunities:** Participate in exclusive events, pitch sessions, and conferences to connect with investors and partners.

Eligibility Criteria for Startup India Recognition

A. Type of Entity

- A **Private Limited Company** (under the Companies Act, 2013).
- A **Limited Liability Partnership (LLP)** (under the LLP Act, 2008).
- A **Partnership Firm** (under the Partnership Act, 1932).

B. Age of the Entity

- The date of incorporation/registration must not be more than **10 years** prior to the date of application.

C. Annual Turnover

- The annual turnover must not have exceeded **₹100 crore** in any of the previous financial years since incorporation.

D. Innovation and Scalability

- The entity must be working towards innovation, development, or improvement of products, processes, or services.

- It must have a scalable business model with high potential for employment generation or wealth creation.

- The business must not have been formed by splitting up or reconstructing an existing business.

Eligibility for Specific Benefits

- **For Tax Exemption (Section 80-IAC):** Must be a Private Limited Company or LLP incorporated after April 1, 2016, and recognized by DPIIT. It requires separate approval from the Inter-Ministerial Board (IMB).
- **For Angel Tax Exemption:** Must be a DPIIT-recognized Private Limited Company with an aggregate paid-up share capital and share premium not exceeding ₹25 crore post-investment.
- **For Seed Fund Scheme:** Must be a DPIIT-recognized startup incorporated not more than 2 years ago at the time of application, applying through a recognized incubator.

Step-by-Step Application Process

Step 1: Incorporate Your Business
First, ensure your business is a registered legal entity (Private Limited Company, LLP, or Partnership Firm).

Step 2: Register on the Startup India Portal

1. Visit the official website: www.startupindia.gov.in.
2. Click on 'Register' and create an account using your name, email, and mobile number.
3. Verify your account via OTP and complete your user profile.

Step 3: Apply for DPIIT Recognition

1. Log in to your Startup India account.
2. Navigate to the 'DPIIT Recognition' section.
3. Fill out the "Registration as a Startup" form with details about your entity, founders, innovation, and scalability.
    - *Alternative Path:* You can also apply via the National Single Window System (NSWS)

at www.nsws.gov.in.

4.

Step 4: Upload Required Documents
Upload clear, scanned copies of all necessary documents in the specified format (PDF, JPG, or PNG, max 2MB each).

Step 5: Complete the Self-Declaration
Review and agree to the self-declaration form, confirming that all information is accurate and your business meets the eligibility criteria.

Step 6: Submit the Application
Double-check all details and submit the form. An application reference number will be generated for tracking.

Step 7: Verification and Certificate Issuance
DPIIT will review the application, which typically takes 15-30 business days. Upon successful verification, a digital DPIIT Recognition Certificate with a unique ID will be issued. You can download it from the portal.

Important Notes

- **No Fees:** The application and processing for DPIIT recognition are completely **free of cost**. Do not pay any agency or representative for this service.
- **Digital Copies:** Keep digital copies of all submitted documents for your records.
- **Monitor Your Email:** Check your registered email regularly for updates or queries from DPIIT.
- **Consult Professionals:** For complex documentation or legal requirements, it is advisable to consult a legal professional or a chartered accountant.